

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014**

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SIoux CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2013 Election)

Kevin Lindquist	President	2015
Lory Krummen	Vice President	2016
Lynn Barbier	Board Member	2015
Liza Gunnerson	Board Member	2015
Randy Ripke	Board Member	2016

(After September, 2013 Election)

Kevin Lindquist	President	2015
Lory Krummen	Vice President	2017
Liza Gunnerson	Board Member	2015
Michelle Patten	Board Member	2015
Randy Ripke	Board Member	2017

SCHOOL OFFICIALS

Scott Williamson	Superintendent
Angela Smith	District Treasurer
Rebecca Johnson	Board Secretary



Independent Auditors' Report

To the Board of Education of the
Sioux Central Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Sioux Rapids, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of Sioux Central Community School District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In fiscal year 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The combining nonmajor fund financial statements are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2014 on our consideration of the Sioux Central Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sioux Central Community School District's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 12, 2014

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Sioux Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$5,860,633 in fiscal 2013 to \$6,300,521 in fiscal 2014, while General fund expenditures increased from \$6,118,606 in fiscal 2013 to \$6,233,545. The District's General fund balance increased from \$1,884,258 at the end of fiscal 2013 to \$1,951,234 at the end of fiscal 2014, a 3.5% increase.

The increase in General fund revenues was attributable mainly to the increase in property taxes and tuition received. The increase in expenditures was due primarily to the increase of costs for educating our students, particularly the increase in salaries and employee benefits. An increase in expenses for transporting students was also a factor.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Sioux Central Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sioux Central Community School District's operations in more detail than the government-wide statements and provide information about the most significant funds. The remaining statements provide financial information about activities for which Sioux Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

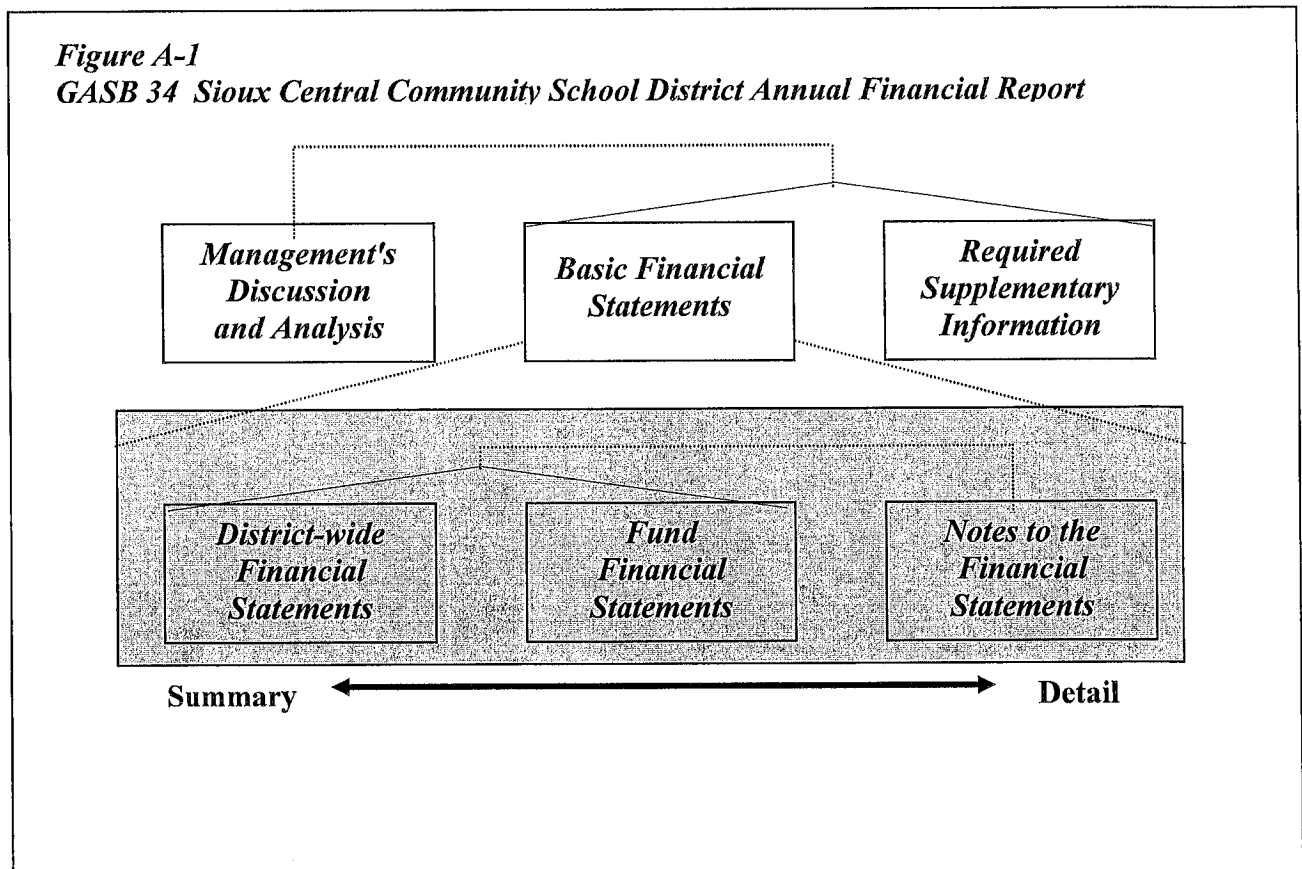


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	Statement of net position Statement of revenues, expenses and changes in fund net position <ul style="list-style-type: none"> • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statement

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement change in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Current and Other Assets	\$ 6,720,813	\$ 6,235,626	\$ 32,083	\$ 39,357	\$ 6,752,896	\$ 6,274,983	7.6%
Capital Assets	5,209,985	5,197,196	11,133	10,054	5,221,118	5,207,250	0.3%
Total Assets	11,930,798	11,432,822	43,216	49,411	11,974,014	11,482,233	4.3%
Current Liabilities	585,354	574,368	661	-	586,015	574,368	2.0%
Long-Term Liabilities	223,641	280,320	-	-	223,641	280,320	-20.2%
Total Liabilities	808,995	854,688	661	-	809,656	854,688	-5.3%
Deferred Inflows of Resources	2,685,180	3,041,820	-	-	2,685,180	3,041,820	-11.7%
Net Position:							
Net Investment in							
Capital Assets	5,173,263	4,938,644	11,133	10,054	5,184,396	4,948,698	4.8%
Restricted	1,645,342	863,702	-	-	1,645,342	863,702	90.5%
Unrestricted	1,618,018	1,733,968	31,422	39,357	1,649,440	1,773,325	-7.0%
Total Net Position	\$ 8,436,623	\$ 7,536,314	\$ 42,555	\$ 49,411	\$ 8,479,178	\$ 7,585,725	11.8%

The District's combined net position increased 11.7%, or approximately \$893,000, from the prior year. The largest portion of the District's net position is net investment in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment, less the related debt). The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$782,000, or 90.5%, from the prior year. The increase was primarily a result of a larger school infrastructure balance to prepare for necessary future projects.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established debt covenants, enabling legislation or other legal requirements – decreased approximately \$131,000, or 7.4%. This decrease of unrestricted net position was simply a result of decreased revenue and increased expenditure in the debt service fund.

Figure A-4 shows the changes in net position.

Figure A-4

Changes in Net Position from Operations

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,597,543	\$ 1,349,832	\$ 157,595	\$ 175,128	\$ 1,755,138	\$ 1,524,960	15.09%
Operating Grants and Contributions	926,601	931,357	200,691	180,352	1,127,292	1,111,709	1.40%
General Revenues:							
Property Tax	2,903,797	2,817,524	-	-	2,903,797	2,817,524	3.06%
SSSU Tax	423,810	413,117	-	-	423,810	413,117	2.59%
State Grants	1,904,858	1,801,882	-	-	1,904,858	1,801,882	5.71%
Interest Income	11,127	10,836	69	83	11,196	10,919	2.54%
Miscellaneous	38,064	47,403	-	-	38,064	47,403	-19.70%
Gain on Equipment Sales	800	2,692	-	-	800	-	0.00%
Total Revenues	7,806,600	7,374,643	358,355	355,563	8,164,955	7,727,514	5.66%
Expenses:							
Instruction	4,513,542	4,510,209	-	-	4,513,542	4,510,209	0.07%
Support Services	2,007,202	1,905,654	-	-	2,007,202	1,905,654	5.33%
Non-Instructional	-	-	365,211	354,606	365,211	354,606	2.99%
Other Expenses	385,547	443,185	-	-	385,547	443,185	-13.01%
Total Expenses	6,906,291	6,859,048	365,211	354,606	7,271,502	7,213,654	0.80%
Change in Net Position	\$ 900,309	\$ 515,595	\$ (6,856)	\$ 957	\$ 893,453	\$ 513,860	73.87%

Property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

The District's total revenues were approximately \$8.2 million, of which \$7.8 million was for governmental activities and \$358,000 was for business-type activities.

As shown in Figure A-4, the district as a whole experienced a 5.66% increase in revenues and a 0.80% increase in expenses. The increase in General fund revenues was attributable mainly to the increase in property taxes and state revenues received. The increase in expenditures was due primarily to the increase of costs for educating our students, particularly the increased costs of salaries and employee benefits.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2014 were \$7,806,600 and expenses were \$6,906,328.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	% Change	2014	2013	% Change
Instruction	\$ 4,513,542	\$ 4,510,209	0.07%	\$ 2,201,428	\$ 2,436,381	-9.64%
Support Services	2,007,201	1,905,654	5.33%	1,995,596	1,888,458	5.67%
Other Expenses	385,585	443,185	-13.00%	185,160	253,020	-26.82%
Total	\$ 6,906,328	\$ 6,859,048	0.69%	\$ 4,382,184	\$ 4,577,859	-4.27%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,597,543 in 2014.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$926,601 in 2014.
- The net cost of governmental activities was financed with \$3,327,607 in property taxes and other taxes and \$1,904,858 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$358,355 representing less than a 1% increase from the prior year, while expenses totaled \$365,211, a 3.0% increase over the prior year. (Refer to Figure A-4.) The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

A slight increase in salaries, benefits, and food costs account for the increase in expenses, while an increase in federal assistance accounts for the increase in revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sioux Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,533,761, a 2.3% increase over last year's ending fund balances of \$2,874,979. The reason for increase was mainly due to the increase in receivables and maintaining lower expenditures.

Governmental Fund Highlights

The District employed additional staff due to additional student needs.

The General Fund balance increased from \$1,884,258 to \$1,951,234 due, mainly, to the increase in property taxes and additional tuition revenue received. The increase in expenditures was due primarily to the increase of costs for educating our students, particularly the increased costs of salaries and employee benefits. Another cost that continues to rise is the cost of transporting students to and from school.

The Management Fund balance increased from \$364,721 at the end of fiscal year 2013 to \$663,265 at the end of fiscal year 2014. This was due to an increased tax levy to offset future early retirement and equipment breakdown insurance costs.

The Debt Service Fund balance decreased from \$56,662 at the end of fiscal year 2013 to \$0 at the end of fiscal year 2014. This was due to the final payment of the building debt being made.

The Statewide Sales, Services, and Use Tax Fund balance increased from \$408,045 at the end of fiscal year 2013 to \$669,308 at the end of fiscal year 2014. This was due to limiting capital project purchases while preparing for the facility upgrade project.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$49,411 at the end of fiscal year 2013 to \$42,555 at the end of fiscal year 2014. This was due to the increased costs for the new nutrition program guidelines.

Budgetary Highlights

On May 19, 2014, an amendment to the fiscal year 2014 budget was approved in the amount of \$100,694 for other expenditures.

The District's revenues were \$419,049 more than budgeted, primarily due to the increase of sales tax revenue received and from the Microsoft settlement money the district received.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2014, the District had invested \$5.2 million, net of accumulated depreciation, in a broad range of assets, including land, construction in progress, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents less than a 1% change from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$249,203.

The original cost of the District's capital assets was \$9,502,944. Governmental funds account for \$9,425,911 with the remainder of \$77,235 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity was due to the construction in progress and the purchase of new buses.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Land	\$ 125,495	\$ 125,495	\$ -	\$ -	\$ 125,495	\$ 125,495	0.00%
Construction in Progress	75,947	-	-	-	75,947	-	0.00%
Buildings & Improvements	4,413,242	4,551,478	-	-	4,413,242	4,551,478	-3.04%
Equipment, Furniture & Vehicles	595,301	520,223	-	10,054	595,301	530,277	12.26%
Total	\$ 5,209,985	\$ 5,197,196	\$ -	\$ 10,054	\$ 5,209,985	\$ 5,207,250	0.05%

Long-Term Debt

At year-end, the District had \$36,722 of long-term debt outstanding. This represents a decrease of approximately 86% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The Lease Payable is for a copier lease. In 2014, the District paid \$245,000 to pay off the General Obligation Bonds.

Figure A-7 - Long-Term Debt

	Total District		Total % Change
	2013	2013	
General Obligation Bonds	\$ -	\$ 245,000	-100.00%
Lease Payable	36,722	13,552	170.97%
Total	\$ 36,722	\$ 258,552	-85.80%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The District continues its sharing agreement with Albert City – Truesdale Community School District for academics. The agreement is going well. The districts are currently reviewing the current agreement and preparing for its renewal.
- The administration is keeping communication lines open with other neighboring districts for the possibility of future sharing. A 28E agreement has been signed with Clay Central Everly Community School to share the positions of Business Manager and Human Resources Director for the FY15 school year. This brings the spending authority of 5 additional students per position to each district.
- The Sioux Central district continues to expand our one to one laptop initiative. The staff continues to work hard to use the technology as a tool for educating our students. All students in grades 3-12 are 1:1 with MacBooks, while our kindergarten through 2nd grade are 1:1 with iPads. Administration and staff are reviewing the costs to help determine the next step with replacing the MacBooks in the next year or two.

- The District enrollment showed a slight decrease this year. However, we continue to be a district of educational choice for students from neighboring districts. We continue to see a three to one ratio for students open enrolling into our district, versus open enrolling out to another district.
- The district overwhelmingly approved a \$7.5 million bond for facility upgrades and a roof replacement. This includes a new roof for the main building on campus, as well as adding special education classrooms, an elementary gymnasium, multi-purpose room and a football/track facility. This will continue the tax rate of approximately \$2.12 for the debt service fund.
- Health insurance continues to be a very costly item to the District. The rates are continuing to increase and are extremely high. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost could become a factor in hiring and retaining employees.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District with mandates such as the “No Child Left Behind” and “Student Achievement and Teacher Quality Act”.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability of the money it receives. If you have questions about this report or need additional information, contact Angie Smith, Business Manager, Sioux Central Community School District, 4440 US Hwy 71, Sioux Rapids, IA 50585.

BASIC FINANCIAL STATEMENTS

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 2,857,014	\$ 30,506	\$ 2,887,520
Pooled Investments	457,555	-	457,555
Receivables:			
Property Tax	24,981	-	24,981
Property Tax - Succeeding Year	2,685,180	-	2,685,180
Other Accounts Receivable	92,955	732	93,687
Due from Other Governmental Agencies	550,382	-	550,382
Internal Balances	5,568	(5,568)	-
Accrued Interest	1,105	-	1,105
Inventories	-	6,413	6,413
Prepaid Expenses	46,073	-	46,073
Land	125,495	-	125,495
Construction in Progress	75,947	-	75,947
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,008,543	11,133	5,019,676
Total Assets	<u>11,930,798</u>	<u>43,216</u>	<u>11,974,014</u>
Liabilities			
Accounts Payable	186,688	661	187,349
Accrued Wages and Payroll Liabilities	93,192	-	93,192
Advances from Grantors	141,234	-	141,234
Good Faith Deposit	75,000	-	75,000
Long-Term Liabilities:			
Debt Due Within One Year:			
Lease Payable	8,482	-	8,482
Early Retirement Payable	80,758	-	80,758
Debt Due in More Than One Year:			
Lease Payable	28,240	-	28,240
Early Retirement Payable	188,699	-	188,699
Net OPEB Liability	6,702	-	6,702
Total Liabilities	<u>808,995</u>	<u>661</u>	<u>809,656</u>
Deferred Inflows of Resources			
Unavailable Revenues:			
Succeeding Year Property Tax	<u>2,685,180</u>	<u>-</u>	<u>2,685,180</u>
Net Position			
Net Investment in Capital Assets	5,173,263	11,133	5,184,396
Restricted for:			
Physical Plant and Equipment Levy	154,896	-	154,896
Categorical Funding	250,567	-	250,567
Student Activities	96,005	-	96,005
School Infrastructure	669,308	-	669,308
Management Levy	474,566	-	474,566
Unrestricted	1,618,018	31,422	1,649,440
Total Net Position	<u>\$ 8,436,623</u>	<u>\$ 42,555</u>	<u>\$ 8,479,178</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,305,598	\$ 894,028	\$ 578,113	\$ -
Special Instruction	1,341,826	536,769	22,935	-
Other Instruction	866,118	166,746	113,523	-
Support Services:				
Student Services	162,410	-	-	-
Instructional Staff Services	135,534	-	11,204	-
Administration Services	525,880	-	-	-
Operations and Maintenance	629,814	-	-	-
Transportation Services	383,137	-	401	-
Central Support Services	170,427	-	-	-
Other Expenditures:				
Structural Improvements	30,632	-	-	-
Facilities Acquisition	615	-	-	-
Long-term Debt Interest and Fiscal Charges	8,734	-	-	-
AEA Flow-Through	200,425	-	200,425	-
Unallocated Depreciation*	145,141	-	-	-
Total Governmental Activities	6,906,291	1,597,543	926,601	-
Business-Type Activities:				
School Nutrition Fund	365,211	157,595	200,691	-
Total School District	\$ 7,271,502	\$ 1,755,138	\$ 1,127,292	\$ -

General Revenues:

Property Tax Levied For:
 General Purposes
 Debt Service
 Capital Outlay
 Management Levy
 Statewide Sales and Services Tax
 Unrestricted State Grants
 Interest on Investments
 Miscellaneous
 Gain on Equipment Sales
 Total General Revenues

Change in Net Position

Net Position - Beginning
Prior Period Adjustment - Accounting Change
Net Position - Beginning, as Restated

Net Position - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs.

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (833,457)		\$ (833,457)
(782,122)		(782,122)
(585,849)		(585,849)
(162,410)		(162,410)
(124,330)		(124,330)
(525,880)		(525,880)
(629,814)		(629,814)
(382,736)		(382,736)
(170,427)		(170,427)
(30,632)		(30,632)
(615)		(615)
(8,734)		(8,734)
-		-
(145,141)		(145,141)
(4,382,147)		(4,382,147)
-	\$ (6,925)	(6,925)
(4,382,147)	(6,925)	(4,389,072)
2,022,703	-	2,022,703
252,017	-	252,017
78,469	-	78,469
550,608	-	550,608
423,810	-	423,810
1,904,858	-	1,904,858
11,127	69	11,196
38,064	-	38,064
800	-	800
5,282,456	69	5,282,525
900,309	(6,856)	893,453
7,543,693	49,411	7,593,104
(7,379)	-	(7,379)
7,536,314	49,411	7,585,725
\$ 8,436,623	\$ 42,555	\$ 8,479,178

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management	Debt Service	Statewide Sales, Services and Use Tax	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 1,279,855	\$ 746,812	\$ -	\$ 573,294	\$ 257,053	\$ 2,857,014
Pooled Investments	457,555	-	-	-	-	457,555
Receivables:						
Property Taxes	17,401	4,737	2,168	-	675	24,981
Property Taxes - Succeeding Year	1,990,799	100,001	514,338	-	80,042	2,685,180
Other Accounts Receivable	92,955	-	-	-	-	92,955
Accrued Interest	1,105	-	-	-	-	1,105
Due from Other Governmental Agencies	439,513	-	-	110,869	-	550,382
Due from Other Funds	5,568	-	-	3,115	-	8,683
Prepaid Expenses	46,073	-	-	-	-	46,073
Total Assets	<u>4,330,824</u>	<u>851,550</u>	<u>516,506</u>	<u>687,278</u>	<u>337,770</u>	<u>6,723,928</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	154,365	7,526	-	17,970	6,827	186,688
Accrued Wages and Payroll Liabilities	93,192	-	-	-	-	93,192
Early Retirement Payable	-	80,758	-	-	-	80,758
Advances from Grantors	141,234	-	-	-	-	141,234
Due to Other Funds	-	-	2,168	-	947	3,115
Good Faith Deposit	-	-	-	-	75,000	75,000
Total Liabilities	<u>388,791</u>	<u>88,284</u>	<u>2,168</u>	<u>17,970</u>	<u>82,774</u>	<u>579,987</u>
Deferred Inflows of Resources						
Unavailable Revenues:						
Succeeding Year Property Tax	<u>1,990,799</u>	<u>100,001</u>	<u>514,338</u>	<u>-</u>	<u>80,042</u>	<u>2,685,180</u>
Fund Balances						
Nonspendable:						
Prepaid Expenses	46,073	-	-	-	-	46,073
Restricted for:						
Categorical Funding	250,567	-	-	-	-	250,567
Student Activities	-	-	-	-	96,005	96,005
Management Levy	-	663,265	-	-	-	663,265
School Infrastructure	-	-	-	669,308	-	669,308
Physical Plant and Equipment	-	-	-	-	154,896	154,896
Unassigned	1,654,594	-	-	-	(75,947)	1,578,647
Total Fund Balances	<u>1,951,234</u>	<u>663,265</u>	<u>-</u>	<u>669,308</u>	<u>174,954</u>	<u>3,458,761</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,330,824</u>	<u>\$ 851,550</u>	<u>\$ 516,506</u>	<u>\$ 687,278</u>	<u>\$ 337,770</u>	<u>\$ 6,723,928</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2014**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 17)	\$ 3,458,761
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,209,985
Long-term liabilities, including bonds and notes payable, capital leases, compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(232,123)</u>
Total Net Position - Governmental Activities (page 14)	<u><u>\$ 8,436,623</u></u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Management	Debt Service	Statewide Sales, Services and Use Tax	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Sources:						
Local Tax	\$ 2,022,703	\$ 550,608	\$ 252,017	\$ 423,811	\$ 78,469	\$ 3,327,608
Tuition	1,288,979	-	-	-	-	1,288,979
Other	157,530	6,709	434	39,762	153,902	358,337
State Sources	2,537,843	252	116	-	-	2,538,211
Federal Sources	293,466	-	-	-	-	293,466
Total Revenues	<u>6,300,521</u>	<u>557,569</u>	<u>252,567</u>	<u>463,573</u>	<u>232,371</u>	<u>7,806,601</u>
Expenditures						
Instruction:						
Regular Instruction	2,206,643	108,619	-	103,863	11,279	2,430,404
Special Instruction	1,341,826	-	-	-	-	1,341,826
Other Instruction	709,506	-	-	-	156,612	866,118
Support Services:						
Student Services	162,410	-	-	-	-	162,410
Instructional Staff Services	134,879	-	-	-	655	135,534
Administration Services	518,675	6,128	1,077	-	-	525,880
Operations and Maintenance	464,014	144,278	-	864	-	609,156
Transportation Services	324,740	-	-	94,459	-	419,199
Central Support Services	170,427	-	-	-	-	170,427
Other Expenditures:						
Structural Improvements	-	-	-	-	30,632	30,632
Facilities Acquisition	-	-	-	23,145	75,947	99,092
Long-Term Debt:						
Principal	-	-	266,053	-	-	266,053
Interest and Fiscal Charges	-	-	9,886	-	-	9,886
AEA Flow-Through	200,425	-	-	-	-	200,425
Total Expenditures	<u>6,233,545</u>	<u>259,025</u>	<u>277,016</u>	<u>222,331</u>	<u>275,125</u>	<u>7,267,042</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,976</u>	<u>298,544</u>	<u>(24,449)</u>	<u>241,242</u>	<u>(42,754)</u>	<u>539,559</u>
Other Financing Sources (Uses)						
Long-Term Debt Proceeds	-	-	-	44,223	-	44,223
Transfers In	-	-	24,202	-	56,415	80,617
Transfers Out	-	-	(56,415)	(24,202)	-	(80,617)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(32,213)</u>	<u>20,021</u>	<u>56,415</u>	<u>44,223</u>
Net Change in Fund Balance	<u>66,976</u>	<u>298,544</u>	<u>(56,662)</u>	<u>261,263</u>	<u>13,661</u>	<u>583,782</u>
Fund Balances at Beginning of Year	<u>1,884,258</u>	<u>364,721</u>	<u>56,662</u>	<u>408,045</u>	<u>161,293</u>	<u>2,874,979</u>
Fund Balances at End of Year	<u>\$ 1,951,234</u>	<u>\$ 663,265</u>	<u>\$ -</u>	<u>\$ 669,308</u>	<u>\$ 174,954</u>	<u>\$ 3,458,761</u>

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 19)	\$	583,782
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	261,992	
Depreciation expense	<u>(249,203)</u>	12,789

Accrued interest expense that does not require current financial resources.		1,150
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Long-term debt proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position		(44,223)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net position. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		266,053
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early Retirement		<u>80,758</u>
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Change in Net Position of Governmental Activities (page 16)	\$	<u><u>900,309</u></u>
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SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	School Nutrition Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 30,506
Accounts Receivable	732
Inventories	6,413
Total Current Assets	<u>37,651</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>11,133</u>
Total Assets	<u>48,784</u>
Liabilities	
Accounts Payable	661
Due to Other Funds	<u>5,568</u>
Total Liabilities	<u>6,229</u>
Net Position	
Net Investment in Capital Assets	11,133
Unrestricted	<u>31,422</u>
Total Net Position	<u><u>\$ 42,555</u></u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	School Nutrition Fund
Operating Revenues:	
Charges for Services	\$ 155,954
Miscellaneous	1,641
Total Operating Revenue	<u>157,595</u>
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	117,783
Benefits	44,653
Food	188,707
Supplies	10,293
Other Expense	1,115
Depreciation	2,660
Total Operating Expenses	<u>365,211</u>
Operating (Loss)	(207,616)
Non-Operating Revenue:	
Interest Income	69
State Lunch Reimbursements	3,101
National School Lunch Program	168,092
Federal Food Commodities Received	29,498
Total Non-Operating Revenue	<u>200,760</u>
Change in Net Position	(6,856)
Net Position - Beginning	<u>49,411</u>
Net Position - Ending	<u><u>\$ 42,555</u></u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	School Nutrition Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 156,863
Cash Payments for Salaries and Benefits	(162,436)
Cash Payments for Goods and Services	(166,445)
Net Cash (Used) by Operating Activities	<u>(172,018)</u>
Cash Flows from Non-Capital Financing Activities	
Federal and State Appropriations Received	171,193
Cash Paid to General Fund	85
Net Cash Provided by Non-Capital Financing Activities	<u>171,278</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(3,740)
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,740)</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>69</u>
Net (Decrease) in Cash and Cash Equivalents	(4,411)
Cash and Cash Equivalents at Beginning of Year	<u>34,917</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 30,506</u></u>
 Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:	
Operating (Loss)	\$ (207,616)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	2,660
Commodities Used	29,498
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:	
Accounts Receivable	(732)
Inventory	3,510
Accounts Payable	<u>662</u>
Net Cash (Used) by Operating Activities	<u><u>\$ (172,018)</u></u>
 Supplemental Schedule of Noncash Noncapital Financial Activities:	
Federal Food Commodities Received	<u><u>\$ 29,498</u></u>

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust Scholarship
Assets	
Cash	\$ 2,400
Total Assets	<u>2,400</u>
Net Position	
Unrestricted	2,400
Total Net Position	<u>\$ 2,400</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust Scholarship
Additions	
Local Sources: Contributions	\$ 5,650
Deductions	
Support Services: Scholarships Awarded	<u>3,250</u>
Change in Net Position	2,400
Net Position- Beginning	<u>-</u>
Net Position - Ending	<u><u>\$ 2,400</u></u>

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sioux Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Sioux Rapids, Rembrandt, Linn Grove, Webb, Gillett Grove, and Peterson, Iowa, and agricultural area in Buena Vista, Clay, Cherokee and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sioux Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Clay Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statements of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net position is reported in three categories:

- ***Net Investment in Capital Assets***, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Position*** results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position*** consists of net position that does not meet the definition of the two preceding categories. Unrestricted Net Position often has constraints on resources that are imposed which can be removed or modified.

The District first uses restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The District first uses restricted resources to finance qualifying activities.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Management Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums, unemployment compensation insurance claims, and early retirement.
- The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The **Capital Projects, Statewide Sales, Service, and Use Tax** is used to account for funds raised by one cent School Infrastructure statewide sales, service, and use tax. These funds are being used for debt retirement and infrastructure expenses.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Cash Equivalents, and Pooled Investments– The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2014 included certificates of deposits of \$457,555 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 500
Other Furniture and Equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than Buildings	20 – 50 years
Furniture and Equipment	5 – 15 years

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred inflows in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year-end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Salaries and Benefits Payable – Payroll and related expenditures for non-certified staff corresponding to the current school year, have been accrued as liabilities.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Position – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the Instructional Program function exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 2 – CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS (Continued)

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

Note 3 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 125,495	\$ -	\$ -	\$ 125,495
Construction In Progress	-	75,947	-	75,947
Total assets not being depreciated	125,495	75,947	-	201,442
Capital assets being depreciated:				
Buildings and Improvements	7,110,787	-	-	7,110,787
Furniture and Equipment	1,978,400	186,045	50,965	2,113,480
Total capital assets being depreciated	9,089,187	186,045	50,965	9,224,267
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,559,309	138,236	-	2,697,545
Furniture and Equipment	1,458,177	110,967	50,965	1,518,179
Total Accumulated Depreciation	4,017,486	249,203	50,965	4,215,724
Total capital assets being depreciated, net	5,071,701	(63,158)	-	5,008,543
Governmental activities capital assets, net	5,197,196	12,789	-	5,209,985
Business-type Activity:				
Furniture and Equipment	75,924	3,739	-	79,663
Less Accumulated Depreciation	65,870	2,660	-	68,530
Business-type activity capital assets, net	\$ 10,054	\$ 1,079	\$ -	\$ 11,133

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:

Transportation Services	\$ 57,770
Regular Instruction	25,634
Operation and Maintenance	20,658
Unallocated	145,141
Total depreciation expense - governmental activities	<u>\$ 249,203</u>

Business-type Activities:

Food Service Operations	<u>\$ 2,660</u>
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Reconciliation of Net Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Land	\$ 125,495	\$ -
Construction In Progress	75,947	-
Capital Assets (net of accumulated depreciation)	5,008,543	11,133
Less:		
Lease Payable	<u>(36,722)</u>	-
Net Investment in Capital Assets	<u>\$ 5,173,263</u>	<u>\$ 11,133</u>

Note 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 245,000	\$ -	\$ 245,000	\$ -	\$ -
Capital Lease Payable	13,552	44,223	21,053	36,722	8,482
Early Retirement	359,774	-	90,317	269,457	80,758
Net OPEB Liability	6,702	-	-	6,702	-
Long-Term Liabilities	<u>\$ 625,028</u>	<u>\$ 44,223</u>	<u>\$ 356,370</u>	<u>\$ 312,881</u>	<u>\$ 89,240</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 4 – LONG-TERM LIABILITIES (Continued)

Capital Leases

As of June 30, 2014, equipment under a capital lease consists of multiple copiers. The copiers had a capitalized cost of \$53,681. Accumulated depreciation in the statement of net position and depreciation reported in the statement of activities in the amount of \$5,368 was recorded in 2014 relating to the copiers. Future lease payments are summarized as follows:

Year Ending June 30	Governmental Activities Principal	Interest
2015	\$ 8,482	\$ 1,229
2016	8,805	907
2017	9,140	571
2018	9,488	224
2019	807	3
	\$ 36,722	\$ 2,934

Early Retirement

The District has offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. Early retirement benefits paid during the year ended June 30, 2014, totaled \$90,317. There were eleven retired individuals receiving benefits at June 30, 2014.

Note 5 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P O Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.93% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$352,462, \$331,002, and \$284,301, respectively, equal to the required contributions for each year.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 6 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 58,850
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	<u>58,850</u>
Contributions made	<u>(58,850)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>6,702</u>
Net OPEB obligation - end of year	<u><u>\$ 6,702</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 45,347	95.07%	\$ 2,234
2011	\$ 45,347	95.07%	\$ 4,468
2012	\$ 45,347	95.07%	\$ 6,702
2013	\$ 58,850	100.00%	\$ 6,702
2014	\$ 58,850	100.00%	\$ 6,702

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 6 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 575,580
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 575,580</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active members)	\$3,055,590
UAAL as a percentage of covered payroll	18.84%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 7 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$200,425 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 8 – RISK MANAGEMENT

Sioux Central Community School District is a member in the Iowa School Employees Benefit Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. Sioux Central Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9- CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At Risk	\$ 13,050
Talented and Gifted	31,197
Dropout Prevention	77,623
Preschool	9,467
Teacher Quality Professional Development	51,948
Early Intervention	2,254
Early Literacy Program	13,368
Model Core Curriculum	42,747
Market Factor	2,121
Teacher Leadership	6,792
Total	<u>\$ 250,567</u>

Note 10 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2014, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Nutrition Fund	\$ 5,568
Statewide Sales, Services and Use Tax	Debt Service Fund	2,168
Statewide Sales, Services and Use Tax	Facilities Expansion Fund	947
		<u>\$ 8,683</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 10 – INTERFUND RECEIVABLES AND PAYABLES (Continued)

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for insurance benefits that were paid out of the General Fund that are related to the Nutrition Fund. The interfund balances that the Debt Service and Facilities Expansion Funds owe the Statewide Sales, Services and Use Tax Fund is due to the overdrawn bank balance of a pooled checking account that the funds share.

Note 13 – PRIOR PERIOD ADJUSTMENTS – ACCOUNTING CHANGE

During 2014, the District implemented Governmental Accounting Standards Board Statement No. 65 and the District restated the beginning net position in the Statement of Activities. In previous years, bond issuance costs were deferred and amortized over the term of the bonds. GASB No. 65 now requires these costs to be recognized in the period the loan originated. This results in decreasing the 2014 beginning net position by \$7,379 for the remaining amount of issuance costs that had not been amortized yet.

Government-Wide Financial Statements

	<u>Statement of Activities</u>
Beginning Net Position, As Previously Reported	\$ 7,028,098
Prior Period Adjustments	(7,379)
Beginning Net Position, As Restated	<u>\$ 7,020,719</u>

Note 14 – DEFICIT BALANCE

The Facilities Expansion Fund had a deficit fund balance as of June 30, 2014. This deficit will be restored in fiscal year 2015 with the issuance of the General Obligation bonds.

Note 15 – PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments that provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 16 – SUBSEQUENT EVENTS

On August 5, 2014, the District issued General Obligation Bonds, Series 2014 totaling \$7,500,000 for the purpose of facilities expansions and improvements. The debt was incurred as allowed by Chapter 260C of the Code of Iowa and will mature beginning on May 1, 2015.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Amended	Final to Actual Variance
Revenue						
Local Sources:						
Local Taxes	\$ 3,327,608	\$ -	\$ 3,327,608	\$ 2,950,816	\$ 2,950,816	\$ 376,792
Tuition	1,288,979	-	1,288,979	1,350,000	1,350,000	(61,021)
Other	358,337	157,664	516,001	720,250	720,250	(204,249)
State Sources	2,538,211	3,101	2,541,312	2,390,012	2,390,012	151,300
Federal Sources	293,466	197,590	491,056	409,829	409,829	81,227
Total Revenue	<u>7,806,601</u>	<u>358,355</u>	<u>8,164,956</u>	<u>7,820,907</u>	<u>7,820,907</u>	<u>344,049</u>
Expenditures/Expenses						
Instruction	4,638,348	-	4,638,348	4,619,000	4,619,000	(19,348)
Support Services	2,022,606	-	2,022,606	2,166,200	2,166,200	143,594
Non-Instructional Programs	-	365,211	365,211	370,000	370,000	4,789
Other Expenditures	606,088	-	606,088	517,306	618,000	11,912
Total Expenditures	<u>7,267,042</u>	<u>365,211</u>	<u>7,632,253</u>	<u>7,672,506</u>	<u>7,773,200</u>	<u>140,947</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	539,559	(6,856)	532,703	148,401	47,707	484,996
Other Financing Sources (Uses)						
Operating Transfers From Other Funds	80,617	-	80,617	10,200	10,200	70,417
Operating Transfers to Other Funds	(80,617)	-	(80,617)	(10,200)	(10,200)	(70,417)
Long-Term Debt Proceeds	44,223	-	44,223	-	-	44,223
Total Other Financing Sources (Uses)	<u>44,223</u>	<u>-</u>	<u>44,223</u>	<u>-</u>	<u>-</u>	<u>44,223</u>
Change in Fund Balance	583,782	(6,856)	576,926	148,401	47,707	529,219
Fund Balance at Beginning of Year	<u>2,874,979</u>	<u>49,411</u>	<u>2,924,390</u>	<u>2,924,390</u>	<u>2,924,390</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,458,761</u>	<u>\$ 42,555</u>	<u>\$ 3,501,316</u>	<u>\$ 3,072,791</u>	<u>\$ 2,972,097</u>	<u>\$ 529,219</u>

See Accompanying Independent Auditors' Report

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted a budget amendment, increasing budgeted expenditures by \$100,694.

During the year ended June 30, 2014, expenditures in the Instruction function exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2014**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	\$ -	\$ 375,987	\$ 375,987	0%	\$ 2,778,746	13.5%
2011	7/1/2009	\$ -	\$ 375,987	\$ 375,987	0%	\$ 2,778,746	13.5%
2012	7/1/2009	\$ -	\$ 375,987	\$ 375,987	0%	\$ 2,778,746	13.5%
2013	7/1/2012	\$ -	\$ 575,580	\$ 575,580	0%	\$ 3,055,590	18.8%
2013	7/1/2012	\$ -	\$ 575,580	\$ 575,580	0%	\$ 3,055,590	18.8%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**OTHER SUPPLEMENTARY
INFORMATION**

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2014**

SCHEDULE 1

	Special Revenue Fund	Capital Project Funds		
	Student Activity	Physical Plant and Equipment Levy	Facilities Expansion	Total
Assets				
Cash and Cash Equivalents	\$ 101,732	\$ 155,321	\$ -	\$ 257,053
Receivables:				
Property Tax	-	675	-	675
Succeeding Year Property Tax	-	80,042	-	80,042
Total Assets	<u>101,732</u>	<u>236,038</u>	<u>-</u>	<u>337,770</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	5,727	1,100	-	6,827
Due to Other Funds	-	-	947	947
Good Faith Deposit	-	-	75,000	75,000
Total Liabilities	<u>5,727</u>	<u>1,100</u>	<u>75,947</u>	<u>82,774</u>
Deferred Inflows of Resources				
Unavailable Revenues:				
Succeeding Year Property Tax	-	80,042	-	80,042
Total Deferred Inflows of Resources	<u>-</u>	<u>80,042</u>	<u>-</u>	<u>80,042</u>
Fund Balances				
Restricted for:				
Student Activities	96,005	-	-	96,005
Physical Plant and Equipment	-	154,896	-	154,896
Unassigned	-	-	(75,947)	(75,947)
Total Fund Balances	<u>96,005</u>	<u>154,896</u>	<u>(75,947)</u>	<u>174,954</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 101,732</u>	<u>\$ 236,038</u>	<u>\$ -</u>	<u>\$ 337,770</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 2

	Special Revenue Fund	Capital Project Funds		
	Student Activity	Physical Plant and Equipment Levy	Facilities Expansion	Total
Revenues				
Local Sources				
Local Tax	\$ -	\$ 78,469	\$ -	\$ 78,469
Other	153,247	36	-	153,283
Interest	185	434	-	619
Total Revenues	<u>153,432</u>	<u>78,939</u>	<u>-</u>	<u>232,371</u>
Expenditures				
Instruction:				
Regular Instruction	-	11,279	-	11,279
Other Instruction	156,612	-	-	156,612
Support Services:				
Instructional Staff Services	655	-	-	655
Other Expenditures:				
Structural Improvements	-	30,632	-	30,632
Facilities Acquisition	-	-	75,947	75,947
Total Expenditures	<u>157,267</u>	<u>41,911</u>	<u>75,947</u>	<u>275,125</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,835)	37,028	(75,947)	(42,754)
Other Financing Sources (Uses)				
Transfers In	-	56,415	-	56,415
Total Other Financing Sources	<u>-</u>	<u>56,415</u>	<u>-</u>	<u>56,415</u>
Net Change in Fund Balances	(3,835)	93,443	(75,947)	13,661
Fund Balances at Beginning of Year	<u>99,840</u>	<u>61,453</u>	<u>-</u>	<u>161,293</u>
Fund Balances at End of Year	<u>\$ 96,005</u>	<u>\$ 154,896</u>	<u>\$ (75,947)</u>	<u>\$ 174,954</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 3

	Balance June 30, 2013	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2014
Senior High/Junior High	\$ 54,282	\$ 94,114	\$ 106,449	\$ 41,947
Athletics	39,399	57,529	49,639	47,289
Elementary	6,159	1,789	1,179	6,769
Total for Activity Funds	<u>\$ 99,840</u>	<u>\$ 153,432</u>	<u>\$ 157,267</u>	<u>\$ 96,005</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Modified Accrual Basis of Accounting					
	2014	2013	2012	2011	2010
Revenues:					
Local Sources:					
Local Tax	\$ 3,327,608	\$ 3,230,641	\$ 3,315,163	\$ 3,265,777	\$ 2,591,183
Tuition	1,288,979	1,085,095	1,253,756	1,155,335	1,453,296
Other	358,337	333,037	312,808	649,242	281,107
State Sources	2,538,211	2,411,562	2,545,097	2,243,327	1,760,473
Federal Sources	293,466	317,903	325,629	333,253	286,339
Total	\$ 7,806,601	\$ 7,378,238	\$ 7,752,453	\$ 7,646,934	\$ 6,372,398
Expenditures:					
Instruction:					
Regular Instruction	\$ 2,430,404	\$ 2,421,082	\$ 2,225,366	\$ 2,277,927	\$ 2,811,463
Special Instruction	1,341,826	1,126,781	1,114,336	1,021,201	942,415
Other Instruction	866,118	918,623	1,122,083	727,608	825,001
Support Services:					
Student Services	162,410	150,719	103,514	155,029	112,565
Instructional Staff Services	135,534	181,719	181,419	141,741	134,200
Administration Services	525,880	517,220	549,537	505,791	530,641
Operations and Maintenance	609,156	579,660	529,119	488,137	612,037
Transportation Services	419,199	316,660	414,380	360,703	215,210
Central Support Services	170,427	153,300	165,387	103,071	130,799
Other Expenditures:					
Structural Improvements	30,632	49,757	3,509	-	-
Facilities Acquisition	99,092	25,094	19,232	103,621	-
Long-term Debt:					
Principal	266,053	662,643	656,930	641,276	647,976
Interest and Other Charges	9,886	19,960	30,543	38,478	56,865
AEA Flowthrough	200,425	190,165	187,670	200,352	177,644
Total	\$ 7,267,042	\$ 7,313,383	\$ 7,303,025	\$ 6,764,935	\$ 7,196,816

SCHEDULE 4

2009	2008	2007	2006	2005
\$ 2,479,566	\$ 2,459,303	\$ 2,660,552	\$ 2,441,883	\$ 2,456,291
1,386,709	1,371,175	874,283	1,084,802	965,960
331,802	333,626	440,522	257,772	236,111
2,033,568	1,890,883	1,783,152	1,776,118	1,642,643
233,461	261,894	266,668	579,219	724,543
\$ 6,465,106	\$ 6,316,881	\$ 6,025,177	\$ 6,139,794	\$ 6,025,548
\$ 2,230,833	\$ 2,410,734	\$ 2,181,684	\$ 2,025,004	\$ 2,226,542
768,164	696,382	697,452	602,269	719,023
855,769	708,080	661,804	626,805	550,065
67,669	126,873	121,965	123,217	96,495
121,392	129,937	97,055	288,543	99,138
474,403	490,359	431,054	613,163	662,386
581,890	664,229	691,900	520,064	513,389
286,986	236,172	235,680	257,341	214,250
148,039	121,399	136,057	115,021	93,214
-	-	-	-	-
-	-	-	10,000	117,016
405,000	390,000	392,889	452,804	290,000
106,610	122,795	138,121	156,047	221,243
162,232	157,411	153,027	161,131	146,814
\$ 6,208,987	\$ 6,254,371	\$ 5,943,688	\$ 5,951,409	\$ 5,950,048



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Sioux Central Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 14-II-B to be a material weakness in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 14-II-A to be a significant deficiency.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and is not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sioux Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Sioux Central Community School District's Response to Findings

Sioux Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sioux Central Community School District's responses, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 12, 2014

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) An unmodified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCY:

14-II-A Segregation of Duties

Criteria – The District is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

Condition – The District has a small accounting staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. Employees who handle cash receipts are also involved with the posting of payments and reconciling the bank statements. Also, the same employee that is entering the payroll information is also processing the payroll.

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain maximum internal control possible under the circumstances.

Response – The District is aware of the issues and is working with current personnel to implement new procedures to create better segregation in payroll and accounts receivable and continues to look at additional ways to improve internal controls.

Conclusion – Response accepted.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

MATERIAL WEAKNESS:

14-II-B Financial Reporting

Criteria – The District is responsible for the accuracy and correct reporting of the financial statements.

Condition – During our audit, we identified material and immaterial amounts of cash, capital assets, bond proceeds and payable, lease payments, and health insurance not recorded properly in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Effect – As a result of these misstatements, the financial statements were materially misstated.

Recommendation – The District should implement procedures to ensure all cash, capital assets, payables, and expenses are identified and included in the District's financial statements.

Response – The District will review these in the future to avoid missing any of these transactions.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

14-III-A: Certified Budget – Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the Instruction function. The District did not exceed its unspent authorized budget.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended for insufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

14-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

14-III-C: Travel Expense – No expenditures of Sioux Central Community School District were for travel expenses of spouses of District officials or employees.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

14-III-D: Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Randy Ripke, Board Member, Owner of Ripke Electric	Electrical work for baseball and softball fields.	\$ 1,864

This transaction does not appear to represent a conflict of interest since the total transaction was less than \$2,500 during the year, per Chapter 362.5(11) of the Code of Iowa.

14-III-E: Bond Coverage - Surety bond coverage of Sioux Central Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

14-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

14-III-G: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

14-III-H: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

14-III-I: Certified Enrollment – The number of resident students reported to the Iowa Department of Education in row 1 of the Certified Enrollment Certification Form for October of 2013 was overstated. The District's certified enrollment count included 1 student who was not in attendance in the Fall of 2013. This resulted in overstating the total actual enrollment in row 7 by 1 student.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

- 14-III-J: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit.

Beginning Balance		\$ 408,045
Statewide Sales and Services Tax Revenue	423,810	
Other	83,985	507,795
		<u>915,840</u>
Expenditures/Transfers Out:		
School Infrastructure:		
Equipment	95,322	
Other Improvements	127,008	
Transfers to other funds:		
Debt Service Fund	24,202	246,532
		<u>246,532</u>
Ending Balance		<u>\$ 669,308</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- 14-III-K: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.
- 14-III-L: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-III-M: Deficit Balances – The Capital Projects Fund for facilities expansion had a deficit balance at June 30, 2014.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

Response – The District is aware of this situation. The fund balance will be restored in fiscal year 2015 with the issuance of the General Obligation bonds.

Conclusion – Response accepted.

14-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.